

17 December 2009

Urals Energy Public Company Limited
('Urals Energy' or the 'Company')

2009 Interim Results and Restoration of Trading on AIM

Urals Energy, an AIM listed independent exploration and production company with operations in Russia, today announces its Interim Results for the six months ended 30 June 2009.

Urals Energy also announces that the suspension of trading of the Company's shares on AIM, which commenced on 30 June 2009, will be lifted at 7am (GMT) on Friday 18 December 2009 and trading in the Company's shares will re-commence thereafter. The restoration of trading follows notification of the Company's annual audited accounts for the year ended 31 December 2008 and interim results for the six months ended 30 June 2009. The Company is now in compliance with AIM Rules 18 and 19.

Highlights

Strategy

- Following divestiture of Dulisma and Taas Yuriakh, Urals now well positioned to recommence development programmes on two producing fields, Arcticneft and Petrosakh
- Restructuring of Petraco indebtedness is Company's immediate priority as it seeks to advance its strategy

Operations

- Key development projects put on hold and subsequent to period end divested Dulisma and Taas Yuriakh to Sberbank for full discharge of \$630 million debt
- Average daily production for the period was 4,251 BOPD (including production at Dulisma 1,780 BOPD.)

Financial

- Gross revenues decreased to US\$15.1 million from \$110.7 due to divestiture of Komi assets in April 2008 and Chepetskoye NGDU in February 2009 and decrease of oil prices
- Net debt to Petraco was \$33.3 million at 17 December 2009 (\$45.6 million at 30 June 2009)
- Commenced significant cost reduction program
- First export loadings at Petrosakh and Arcticneft were made in July and October 2009, respectively

Corporate

- Completed significant corporate transactions including divestiture of Dulisma and Taas Yuriakh post period end
- Significant Board and Senior Management changes including appointment of Alexei Maximov as Chief Executive Officer and a Director post period end

Outlook

- Main priority is to agree restructuring of Petraco indebtedness
- Concentrate on early production increase from existing wells
- Complete geological studies in 2010 to develop drilling programmes
- Look for possible corporate transactions to derive maximum value to shareholders

Alexie Maximov, Chief Executive, commented:

"We are pleased to publish our Interim Results and re-commence trading on the London Stock Exchange.

The first half of 2009 was characterized by complex and lengthy negotiations with Sberbank which have finally come to a successful resolution. Simultaneously we introduced a significant cost cuttings programme which reduced our cash burn and will help us lift liquidity constrain going forward.

We are now focused on renegotiating our remaining debt with Petraco, increasing production from our remaining assets and evaluating corporate opportunities to increase shareholder value.”

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Urals Energy Public Company Limited

**Interim Condensed Consolidated Financial Information
As of and for the Six Months Ended 30 June 2009**

Urals Energy Public Company Limited
Interim Condensed Consolidated Statement of Financial Position (unaudited)
(presented in US\$ thousands, except as indicated)

	Note	30 June 2009	31 December 2008
Assets			
Current assets			
Cash and cash equivalents		1,190	912
Accounts receivable and prepayments		9,761	28,912
Current income tax prepayments		-	15
Inventories		982	4,100
Assets held-for-sale	8	325,602	99,163
Investment in joint venture classified as held for sale	7	514,015	-
Total current assets		851,850	133,102
Non-current assets			
Property, plant and equipment	6	4,494	336,968
Supplies and materials for capital construction		-	13,892
Other non-current assets	9	33,124	39,885
Investment in joint venture	7	-	751,600
Total non-current assets		37,618	1,142,345
Total assets		889,168	1,275,447
Liabilities and equity			
Current liabilities			
Accounts payable and accrued expenses		58,192	29,796
Income tax payable		3,759	3,810
Other taxes payable		30	402
Financial instruments	7	201,900	161,300
Short-term borrowings and current portion of long-term borrowings	11	499,746	629,749
Advances from customers	10	46,033	55,778
Liabilities associated with non-current assets held-for-sale	8	186,584	10,248
Current liabilities before warrants classified as liabilities		996,244	891,083
Warrants classified as liabilities		57	177
Total current liabilities		996,301	891,260
Long-term liabilities			
Dismantlement provision		-	15
Deferred tax liability		34	34,344
Total long-term liabilities		34	34,359
Total liabilities		996,335	925,619
Equity			
Share capital	12	1,131	1,122
Share premium	12	641,781	639,967
Translation difference		(59,141)	(40,321)
Retained earnings		(690,970)	(251,045)
Equity attributable to shareholders of Urals Energy Public Company Limited		(107,200)	349,723
Minority interest		33	105
Total equity		(107,167)	349,828
Total liabilities and equity		889,168	1,275,447

Approved on behalf of the Board of Directors on 17 December 2009

A.D. Maximov
Chief Executive Officer

G.B. Kazakov
Chief Financial Officer

The accompanying notes are an integral part of these interim condensed consolidated financial information

Urals Energy Public Company Limited
Interim Condensed Consolidated Statements of Comprehensive Income (unaudited)
(presented in US\$ thousands, except as indicated)

	Note	Six months ended 30 June	
		2009	2008
Gross revenues	13	15,140	110,749
Less: excise taxes		(54)	(195)
Less: export duties		-	(19,912)
Revenues		15,086	90,642
Operating costs			
Cost of sales	14	(9,499)	(70,201)
Impairment charges	8	(122,127)	-
Selling, general and administrative expenses	15	(10,386)	(23,505)
Total operating costs		(142,012)	(93,706)
Operating loss		(126,926)	(3,064)
Interest income		2,056	3,169
Interest expense		(58,619)	(55,414)
Foreign currency (losses) gains		(3,881)	9,571
(Loss) gain from disposal of assets held for sale	8	(1,090)	3,629
Loss from joint venture operations	7	(237,585)	(3,535)
Change in fair value of financial derivatives		(40,480)	18,036
Loss before tax		(466,525)	(27,608)
Income tax benefit (charge)		26,538	(3,418)
Loss for the period		(439,987)	(31,026)
Attributable to:			
- Minority interest		(62)	86
- Shareholders of Urals Energy Public Company Limited		(439,925)	(31,112)
Loss per share of loss attributable to shareholders of Urals Energy Public Company Limited:			
- Basic loss per share (in US dollar per share)		(2.4561)	(0.1750)
- Diluted loss per share (in US dollar per share)		(2.4561)	(0.1750)
Weighted average shares outstanding attributable to:			
- Basic shares		179,117,156	177,824,274
- Diluted shares		179,117,156	177,824,274
Loss for the period		(439,987)	(31,026)
Other comprehensive income (loss):			
- Effect of currency translation		(20,911)	19,239
- Accumulative translation adjustment relating to disposed subsidiaries		2,080	(13,480)
Total comprehensive loss for the period		(458,818)	(25,267)
Attributable to:			
- Minority interest		(72)	163
- Shareholders of Urals Energy Public Company Limited		(458,746)	(25,430)

The accompanying notes are an integral part of these interim condensed consolidated financial information

Urals Energy Public Company Limited
Interim Condensed Consolidated Statements of Cash Flows (unaudited)
(presented in US\$ thousands, except as indicated)

	Six months ended 30 June	
	2009	2008
Cash flows from operating activities		
Loss before income tax	(466,525)	(27,608)
Adjustments for:		
Depreciation and depletion	355	11,144
Impairment charges	122,127	-
Share-based payments	1,823	4,297
Interest income	(2,056)	(3,169)
Interest expense	58,619	55,414
Foreign currency losses/(gains)	3,881	(9,571)
Loss/(gain) from disposal of assets held for sale	1,090	(3,629)
Loss from joint venture operations	237,585	3,535
Release provision on inventory	(642)	-
Change in fair value of financial derivatives	40,480	(18,036)
Other	55	64
Operating cash flows before changes in working capital	(3,208)	12,441
Increase in inventories	(4,379)	(25,197)
Decrease in accounts receivables and prepayments	2,873	25
Increase in accounts payable and accrued expenses	208	17,669
Decrease in advances from customers	(4,357)	(854)
Increase/(decrease) in other taxes payable	10,898	(1,098)
Cash generated from operations	2,035	2,986
Interest received	72	879
Interest paid	-	(44,566)
Income tax received/(paid)	380	(1,995)
Net cash generated from/(used in) operating activities	2,487	(42,696)
Cash flows from investing activities		
Purchase of property, plant and equipment	(1,840)	(59,487)
Proceeds from sale of subsidiaries, net of cash disposed	(52)	93,125
Repayment of promissory notes	-	35,002
Change in loans issued	25	(26,617)
Acquisition of joint venture	-	(578)
Purchase of intangible assets	-	(43)
Net cash (used in)/generated from investing activities	(1,867)	41,402
Cash flows from financing activities		
Proceeds from borrowings, net of borrowing costs	-	18,000
Repayment of borrowings	-	(18,000)
Repayment of loan organization fees	-	(10,000)
Cash proceeds from issuance of ordinary shares, net of associated costs	-	5,892
Finance lease principal payments	(180)	(222)
Cash proceeds from exercise of options	-	125
Net cash (used in) financing activities	(180)	(4,205)
Effect of exchange rate changes on cash and cash equivalents	(24)	22
Net increase/(decrease) in cash and cash equivalents	416	(5,477)
Cash and cash equivalents at the beginning of the period	1,272	28,779
Cash and cash equivalents at the end of the period	1,688	23,302
Cash and cash equivalents at the end of the period of the Group, excluding those classified as held for sale	1,190	22,504
Cash and cash equivalents at the end of the period of the assets classified as held for sale	498	798

The accompanying notes are an integral part of these interim condensed consolidated financial information

Urals Energy Public Company Limited
Interim Condensed Consolidated Statements of Changes in Shareholders' Equity (unaudited)
(presented in US\$ thousands, except as indicated)

	Share capital	Share premium	Difference from conversion of share capital into USD	Cumulative Translation Adjustment	Retained earnings	Equity attributable to Shareholders of Urals Energy Public Company Limited	Minority interest	Total equity
Balance at 1 January 2008	990	625,111	-	49,919	150,744	826,764	1,604	828,368
Effect of currency translation	-	-	-	19,162	-	19,162	77	19,239
Accumulative translation adjustment relating to disposed subsidiaries	-	-	-	(13,480)	13,480	-	-	-
Loss for the period	-	-	-	-	(44,592)	(44,592)	86	(44,506)
Total comprehensive income (loss)	-	-	-	5,682	(31,112)	(25,430)	163	(25,267)
Issuance of shares	19	5,998	-	-	-	6,017	-	6,017
Share-based payment	-	4,297	-	-	-	4,297	-	4,297
Conversion of share capital into USD	113	-	(113)	-	-	-	-	-
Balance at 30 June 2008	1,122	635,406	(113)	55,601	119,632	811,648	1,767	813,415
Balance at 1 January 2009	1,122	640,080	(113)	(40,321)	(251,045)	349,723	105	349,828
Effect of currency translation	-	-	-	(20,901)	-	(20,901)	(10)	(20,911)
Accumulative translation adjustment relating to disposed subsidiaries (Note 8)	-	-	-	2,080	(2,080)	-	-	-
Loss for the period	-	-	-	-	(437,845)	(437,845)	(62)	(437,907)
Total comprehensive income (loss)	-	-	-	(18,821)	(439,925)	(458,746)	(72)	(458,818)
Issuance of shares	9	(9)	-	-	-	-	-	-
Share-based payment	-	1,823	-	-	-	1,823	-	1,823
Balance at 30 June 2009	1,131	641,894	(113)	(59,142)	(690,970)	(107,200)	33	(107,167)

The accompanying notes are an integral part of these interim condensed consolidated financial information

Urals Energy Public Company Limited
Selected Notes to the Interim Condensed Consolidated Financial Information (unaudited)
(in US dollars, tabular amounts in US\$ thousands, except as indicated)

Note 1: Activities

Urals Energy Public Company Limited (“Urals Energy” or the “Company” or “UEPCL”) was incorporated as a limited liability company in Cyprus on 10 November 2003. Urals Energy and its subsidiaries (the “Group”) are primarily engaged in oil and gas exploration and production in the Russian Federation and processing of crude oil for distribution on both the Russian and international markets.

The registered office of Urals Energy is at 31 Evagorou Avenue, Suite 34, CY-1066, Nicosia, Cyprus. UEPCL’s shares are traded on the AIM (Alternative Investment Market) Market operated by the London Stock Exchange. On 30 June 2009 the Company’s shares were suspended from trading on LSE AIM due to non-compliance with Rule 19 of the AIM rules for not publishing 2008 year-end accounts.

The Group comprises UEPCL and the following main subsidiaries and joint venture:

Entity	Jurisdiction	30 June 2009	31 December 2008
<i>Exploration and production</i>			
OOO Oil Company Dulisma (“Dulisma”)	Irkutsk, Russian Federation	100.0%	100.0%
ZAO Petrosakh (“Petrosakh”)	Sakhalin, Russian Federation	97.2%	97.2%
ZAO Arcticneft (“Arcticneft”)	Nenetsky Okrug, Russian Federation	100.0%	100.0%
OOO Lenskaya Transportnaya Kompaniya (“LTK”)	Irkutsk, Russian Federation	100.0%	100.0%
ZAO Chepetskoye NGDU (“Chepetskoye”)	Udmurtia, Russian Federation	0.0%	100.0%
OOO Taas-Yuryakh Neftegazdobycha (“Taas”)	Sakha-Yakutia, Russian Federation	35.3%	35.3%
<i>Management company</i>			
OOO Urals Energy	Moscow, Russian Federation	100.0%	100.0%
Urals Energy (UK) Limited (dormant starting from May 2007)	United Kingdom	100.0%	100.0%
<i>Exploration</i>			
OOO Urals-Nord (“Urals-Nord”)	Nenetsky Okrug, Russian Federation	100.0%	100.0%

In February 2009, Chepetskoye was sold to a domestic off-taker Galaform for the full discharge of the domestic prepayment (Note 8). In August 2009 and November 2009 Dulisma and Taas were sold to Sberbank Capital (see Note 4).

Note 2: Seasonality

The Group’s producing subsidiaries, ZAO Petrosakh and ZAO Arcticneft, operate on Sakhalin and Kolguev Islands, respectively, and are not connected to the State owned pipeline monopoly, Transneft. Accordingly, the majority of their production is exported by tanker. Due to severe weather conditions, shipping tankers can generally only load during the period of June through November. Outside this period, oil is either stored or processed and sold on the local market. During the six months ended 30 June 2009, Petrosakh and Arcticneft produced 44.6 and 14.6 thousand tons of crude oil, respectively, and sold 31.2 and 0.6 thousand tons of crude oil and oil products, respectively. During the six months ended 30 June 2008, Petrosakh and Arcticneft produced 49.8 and 19.5 thousand tons of crude oil, respectively, and sold 46.4 and 0.3 thousand tons of crude oil and oil products, respectively. During 2009, crude oil export sales from ZAO Petrosakh commenced in July 2009 and crude oil export sales from ZAO Arcticneft commenced in October 2009. Crude oil and oil products in stock at 30 June 2009 were 20.4 thousand tons and 38.4 thousand tons in Petrosakh and Arcticneft, respectively, and 8.5 thousand tons and 23.2 thousand tons, respectively, at 31 December 2008.

Urals Energy Public Company Limited
Selected Notes to the Interim Condensed Consolidated Financial Information (unaudited)
(in US dollars, tabular amounts in US\$ thousands, except as indicated)

Note 3: Summary of significant accounting policies

Basis of preparation. This consolidated interim condensed financial information has been prepared in accordance with and comply with IAS 34 *Interim Financial Reporting* and should be read in conjunction with the annual financial statements for the year ended 31 December 2008, which have been prepared in accordance with International Financial Reporting Standards (“IFRS”).

The same accounting policies and methods of computation were followed in the preparation of this consolidated interim condensed financial information as compared with the annual consolidated financial statements for the year ended 31 December 2008.

Use of estimates. The preparation of consolidated interim condensed financial information in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses, and the disclosure of contingent assets and liabilities as of the reporting date and during the reporting period. Estimates have principally been made in respect to fair values of financial assets and financial liabilities, impairment provisions, asset retirement obligation and deferred income taxes. Actual results may differ from such estimates.

Functional and presentation currency. The United States dollar (“US dollar or US\$ or \$”) is the presentation currency for the Group’s operations as management have used the US dollar accounts to manage the Group’s financial risks and exposures, and to measure its performance. Financial statements of the Russian subsidiaries are measured in Russian Roubles, their functional currency.

Translation to functional currency. Monetary balance sheet items denominated in foreign currencies have been re-measured using the exchange rate at the respective balance sheet date. Exchange gains and losses resulting from foreign currency translation are included in the determination of profit or loss. The US dollar to Russian Rouble exchange rates were 31.2904 and 29.3804 as of 30 June 2009 and 31 December 2008, respectively.

Translation to presentation currency. The Group’s financial statements are presented in US dollars in accordance with IAS 21, *The Effects of Changes in Foreign Exchange Rates*. The results and financial position of each Group entity having a functional currency different from the presentation currency (the functional currency of none of which is a currency of a hyperinflationary economy) are translated into the presentation currency as follows:

- (i) Assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet. Goodwill and fair value adjustments arising on the acquisitions are treated as assets and liabilities of the acquired entity.
- (ii) Income and expenses for each statement of comprehensive income are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions).
- (iii) All resulting exchange differences are recognised as a separate component of equity.

When a subsidiary is disposed of through sale, liquidation, repayment of share capital or abandonment of all, or part of, that entity, the exchange differences deferred in equity are reclassified to statement of comprehensive income.

Income tax. Taxes on income in the interim periods are accrued using the tax rate that would be applicable to expected total annual earnings.

Certain new standards, interpretations and amendments to the existing standards, as disclosed in the combined and consolidated financial statements for the year ended 31 December 2008, became effective for the Group from 1 January 2009. They have not significantly affected the condensed consolidated interim financial information of the Group.

Adoption of IAS 23 Borrowing Costs (revised in March 2007). The main change is the removal of the option of immediately recognising as an expense borrowing costs related to assets that take a substantial period of time to get ready for use or sale. The revised IAS 23 had no impact on the Group’s financial information since the Group had already capitalized borrowing costs related to assets that take a substantial period of time to get ready for use or sale prior to 1 January 2009.

Note 3: Summary of significant accounting policies (continued)

Adoption of IAS 1 Presentation of Financial Statements (revised in September 2007 and effective for annual periods beginning on or after 1 January 2009). The main change in IAS 1 is the replacement of the income statement by a statement of comprehensive income which includes all non-owner changes in equity, such as the revaluation of available-for-sale financial assets. Alternatively, entities are allowed to present two statements: a separate income statement and a statement of comprehensive income. The Group has elected to present a separate income statement and a statement of comprehensive income. The revised IAS 1 also introduces a requirement to present a statement of financial position (balance sheet) at the beginning of the earliest comparative period whenever the entity restates comparatives due to reclassifications, changes in accounting policies, or corrections of errors. The revised IAS 1 had an impact on the presentation of the Group's financial information but had no impact on the recognition or measurement of specific transactions and balances.

Adoption of Amendment to IFRS 7 Financial Instruments: Disclosures (issued in March 2009; effective for annual periods beginning on or after 1 January 2009). The amendment requires enhanced disclosures about fair value measurements and liquidity risk. The Group will include the maximum amount of financial guarantees in the contractual maturity analysis and will present the additional disclosures in its next complete annual financial statements for the year ended 31 December 2009.

Vesting Conditions and Cancellations – Amendment to IFRS 2 Share-based Payment (issued in January 2008; effective for annual periods beginning on or after 1 January 2009). The amendment clarifies that only service and performance conditions are vesting conditions. Other features of a share-based payment are not vesting conditions. The amendment specifies that all cancellations, whether by the entity or by other parties, should receive the same accounting treatment.

Adoption of IFRS 8 Operating Segments. Effective from 1 January 2009, the Group adopted IFRS 8 *Operating Segments* which replaced IAS 14 *Segment Reporting*. IFRS 8 introduces new requirements and guidelines related to disclosure of operating segments. The Group operates in one business segment which is crude oil exploration and production. The Group assesses its results of operations and makes its strategic and investment decisions based on the analysis of its profitability as a whole. The Group operates within one geographic segment, which is the Russian Federation.

The amendments to the IFRSs, which are the part of the IASB's annual improvements project published in May 2008, are effective from 1 January 2009. In 2007, the International Accounting Standards Board decided to initiate an annual improvements project as a method of making necessary, but non-urgent, amendments to IFRS. The amendments issued in May 2008 consist of a mixture of substantive changes, clarifications, and changes in terminology in various standards. The substantive changes relate to the following areas: classification as held for sale under IFRS 5 in case of a loss of control over a subsidiary; possibility of presentation of financial instruments held for trading as non-current under IAS 1; accounting for sale of assets under IAS 16 which were previously held for rental and classification of the related cash flows under IAS 7 as cash flows from operating activities; clarification of definition of a curtailment under IAS 19; accounting for below market interest rate government loans in accordance with IAS 20; making the definition of borrowing costs in IAS 23 consistent with the effective interest method; clarification of accounting for subsidiaries held for sale under IAS 27 and IFRS 5; reduction in the disclosure requirements relating to associates and joint ventures under IAS 28 and IAS 31; enhancement of disclosures required by IAS 36; clarification of accounting for advertising costs under IAS 38; amending the definition of the fair value through profit or loss category to be consistent with hedge accounting under IAS 39; introduction of accounting for investment properties under construction in accordance with IAS 40; and reduction in restrictions over manner of determining fair value of biological assets under IAS 41. Further amendments made to IAS 8, 10, 18, 20, 29, 34, 40, 41 and to IFRS 7 represent terminology or editorial changes only, which the IASB believes have no or minimal effect on accounting.

Urals Energy Public Company Limited
Selected Notes to the Interim Condensed Consolidated Financial Information (unaudited)
(in US dollars, tabular amounts in US\$ thousands, except as indicated)

Note 4: Going concern

During 2007, the Group attracted short term financing of \$500 million and \$130 million from Savings Bank of Russian Federation ("Sberbank") (totalling \$630 million) to finance acquisitions and mineral development (Note 11). Despite detailed discussions with Sberbank this financing was not re-financed during 2008. As of 30 June 2009, the Group was in default of its financing arrangement with Sberbank and the Group's current liabilities exceed its current assets by \$144.4 million.

Subsequent to 30 June 2009, the Group's management has been in discussion with Sberbank and OOO Sberbank Capital (a 100% subsidiary of OAO Sberbank) concerning the default. As a result of these discussions and discussions with other parties the following major transactions have taken place to reduce the Group obligations – these have resulted in a substantial accounting loss for shareholders in 2009:

- In August 2009, the Group's 100% interest in its exploration and production subsidiary Dulisma was exchanged for \$60 million of the above \$500 million of short term financing from Sberbank. Net assets of Dulisma were equal to \$179.0 million as of 31 December 2008. The net asset included the short term debt obligation of \$130 million owed to Sberbank (see Note 18);
- In November 2009, the Group's 35.3% interest in Taas Yuryakh Neftegaazdobycha ("Taas") was exchanged for the forgiveness of the remaining \$440 million short term financing and accumulated interest owed to Sberbank. The carrying value of this 35.3% interest in Taas was equal to \$514.0 million as of 30 June 2009 (see Notes 7 and 18); and
- In November 2009, the Group was released from its put option for an additional 10.479% in Taas (see Note 18). As of 30 June 2009, a liability of \$201.9 million was recognised in respect of this put option (see Note 7).

Additionally, management continues to be in discussions with its creditors, the most significant of which is Petraco Services SA (advances of \$45.6 million as of 30 June 2009, see Note 10). Through shipments of oil the Group has partially reduced this balance during the second half of 2009.

Ongoing discussions with Petraco to re-schedule existing indebtedness have not as yet yielded a firm restructuring agreement, though certain transactions have continued to take place since period end (see Note 14). As a result there is a material uncertainty which may cast significant doubt about the Group's ability to continue as a going concern.

Despite these uncertainties and based on cash flow projections performed, management considers that the application of the going concern assumption for the preparation of these financial statements is appropriate.

Note 5: New accounting pronouncements and interpretations

Since the Group published its last annual financial statements, certain new standards and interpretations have been issued that are mandatory for the Group's annual accounting periods beginning on or after 1 January 2010 or later and which the Group has not early adopted:

Improvements to International Financial Reporting Standards (issued in April 2009; amendments to IFRS 2, IAS 38, IFRIC 9 and IFRIC 16 are effective for annual periods beginning on or after 1 July 2009; amendments to IFRS 5, IFRS 8, IAS 1, IAS 7, IAS 17, IAS 36 and IAS 39 are effective for annual periods beginning on or after 1 January 2010). The improvements consist of a mixture of substantive changes and clarifications in the following standards and interpretations: clarification that contributions of businesses in common control transactions and formation of joint ventures are not within the scope of IFRS 2; clarification of disclosure requirements set by IFRS 5 and other standards for non-current assets (or disposal groups) classified as held for sale or discontinued operations; requiring to report a measure of total assets and liabilities for each reportable segment under IFRS 8 only if such amounts are regularly provided to the chief operating decision maker; amending IAS 1 to allow classification of certain liabilities settled by entity's own equity instruments as non-current; changing IAS 7 such that only expenditures that result in a recognised asset are eligible for classification as investing activities; allowing classification of certain long-term land leases as finance leases under IAS 17 even without transfer of ownership of the land at the end of the lease; providing additional guidance in IAS 18 for determining whether an entity acts as a principal or an agent; clarification in IAS 36 that a cash generating unit shall not be larger than an operating segment before aggregation; supplementing IAS 38 regarding measurement of fair value of intangible assets acquired in a business combination; amending IAS 39 (i) to include in its scope option contracts that could result in business combinations, (ii) to clarify the period of reclassifying gains or losses on cash flow hedging instruments from equity to profit or loss and (iii) to state that a prepayment option is closely related to the host contract if upon exercise the borrower reimburses economic loss of the lender; amending IFRIC 9 to state that embedded derivatives in contracts acquired in common control transactions and formation of joint ventures are not within its scope; and removing the restriction in IFRIC 16 that hedging instruments may not be held by the foreign operation that itself is being hedged. The Group does not expect the amendments to have any material effect on its financial statements.

Group Cash-settled Share-based Payment Transactions - Amendments to IFRS 2 Share-based Payment (effective for annual periods beginning on or after 1 January 2010). The amendments provide a clear basis to determine the classification of share-based payment awards in both consolidated and separate financial statements. The amendments incorporate into the standard the guidance in IFRIC 8 and IFRIC 11, which are withdrawn. The amendments expand on the guidance given in IFRIC 11 to address plans that were previously not considered in the interpretation. The amendments also clarify the defined terms in the Appendix to the standard. The Group does not expect the amendments to have any material effect on its financial statements.

New requirements for financial assets - Introduction of IFRS 9, Financial assets (effective for annual periods beginning on 1 January 2013; early application is permitted). The IFRS 9 replaces the multiple classification and measurement models in IAS 39 with a single model that has only two classification categories: amortised cost and fair value. A financial asset is measured at amortised cost if two criteria are met: i) the objective of the business model is to hold the financial asset for the collection of the contractual cash flows, and ii) the contractual cash flows under the instrument solely represent payments of principal and interest. The Group does not expect to early apply the standard in its annual 2009 financial statements.

IAS 24, Related Party Disclosures (amended November 2009, effective for annual periods beginning on or after 1 January 2011). The amended standard simplifies the disclosure requirements for government-related entities and clarifies the definition of a related party. The Group is currently assessing the impact of the amended standard on disclosures in its financial statements.

The International Financial Reporting Standard for Small and Medium-sized Entities ("SMEs") (issued in July 2009) is a self-contained standard, tailored to the needs and capabilities of smaller businesses. Under this standard many of the principles of full IFRS for recognising and measuring assets, liabilities, income and expense have been simplified, and the number of required disclosures have been simplified and significantly reduced. The IFRS for SMEs may be applied by entities which publish general purpose financial statements for external users and do not have public accountability. The Group is not eligible to apply the IFRS for SMEs due to the public accountability of its business.

Additional Exemptions for First-time Adopters - Amendments to IFRS 1 First-time Adoption of IFRS (effective for annual periods beginning on or after 1 January 2010). The amendments exempt entities using the full cost method from retrospective application of IFRSs for oil and gas assets and also exempt entities with existing leasing contracts from reassessing the classification of those contracts in accordance with IFRIC 4 *Determining Whether an Arrangement Contains a Lease* when the application of their national accounting requirements produced the same result. The amendments will not have any impact on the Group's financial statements.

Note 5: New accounting pronouncements and interpretations (continued)

Puttable Financial Instruments and Obligations Arising on Liquidation—IAS 32 and IAS 1 Amendment (effective for annual periods beginning on or after 1 January 2009). The amendment requires classification as equity of some financial instruments that meet the definition of financial liabilities. There has been no impact on the Group's financial statements.

IFRIC 15, Agreements for the Construction of Real Estate (effective for annual periods beginning on or after 1 January 2009). The interpretation applies to the accounting for revenue and associated expenses by entities that undertake the construction of real estate directly or through subcontractors, and provides guidance for determining whether agreements for the construction of real estate are within the scope of IAS 11 or IAS 18. It also provides criteria for determining when entities should recognise revenue on such transactions. IFRIC 15 did not have a significant impact on the Group's financial statements.

IFRIC 16, Hedges of a Net Investment in a Foreign Operation (effective for annual periods beginning on or after 1 October 2008). The interpretation explains which currency risk exposures are eligible for hedge accounting and states that translation from the functional currency to the presentation currency does not create an exposure to which hedge accounting could be applied. The IFRIC allows the hedging instrument to be held by any entity or entities within a group except the foreign operation that itself is being hedged. The interpretation also clarifies how the gain or loss recycled from the currency translation reserve to profit or loss is calculated on disposal of the hedged foreign operation. Reporting entities will apply IAS 39 to discontinue hedge accounting prospectively when their hedges do not meet the criteria for hedge accounting in IFRIC 16. IFRIC16 did not have any impact on the Group's financial statements as the Group does not apply hedge accounting.

Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate—IFRS 1 and IAS 27 Amendment (issued in May 2008; effective for annual periods beginning on or after 1 January 2009). The amendment allows first-time adopters of IFRS to measure investments in subsidiaries, jointly controlled entities or associates at fair value or at previous GAAP carrying value as deemed cost in the separate financial statements. The amendment also requires distributions from pre-acquisition net assets of investees to be recognised in profit or loss rather than as a recovery of the investment. The amendments did not have any impact on the Group's consolidated financial statements.

The Group has not early adopted any of the new standards and interpretations disclosed in the 'New Accounting Pronouncements' note in its last annual financial statements and effective for its annual periods beginning on or after 1 January 2010.

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Note 6: Property, Plant and Equipment

	Oil and gas properties	Refinery and related equipment	Buildings	Other Assets	Assets under construction	Total
<i>Cost at</i>						
1 January 2008	596,251	10,627	5,434	16,629	77,848	706,789
- Property, plant and equipment of the Group, excluding assets held for sale	458,949	10,627	5,434	15,278	71,247	561,535
- Property, plant and equipment held for sale	137,302	-	-	1,351	6,601	145,254
Translation difference	27,755	493	252	765	4,307	33,572
Additions	155	-	-	-	47,590	47,745
Capitalised borrowing costs	-	-	-	-	2,367	2,367
Transfers	13,517	-	-	512	(14,029)	-
Disposals	(33)	-	-	(94)	(2,307)	(2,434)
Disposals of assets held for sale	(134,775)	-	-	(1,845)	(6,241)	(142,861)
30 June 2008	502,870	11,120	5,686	15,967	109,535	645,178
- Property, plant and equipment of the Group, excluding assets held for sale	464,505	11,120	5,686	15,967	108,611	605,889
- Property, plant and equipment held for sale	38,365	-	-	-	924	39,289
<i>Accumulated Depreciation, Amortization and Depletion at</i>						
1 January 2008	(55,719)	(1,792)	(964)	(3,939)	-	(62,414)
- Property, plant and equipment of the Group, excluding assets held for sale	(36,832)	(1,792)	(964)	(3,628)	-	(43,216)
- Property, plant and equipment held for sale	(18,887)	-	-	(311)	-	(19,198)
Translation difference	(2,788)	(90)	(48)	(194)	-	(3,120)
Depreciation, depletion and amortization	(10,232)	(351)	(144)	(921)	-	(11,648)
Disposals	5	-	-	22	-	27
Disposals of assets held for sale (KOMI)	18,695	-	-	552	-	19,247
30 June 2008	(50,039)	(2,233)	(1,156)	(4,480)	-	(57,908)
- Property, plant and equipment of the Group, excluding assets held for sale	(42,391)	(2,233)	(1,156)	(4,480)	-	(50,260)
- Property, plant and equipment held for sale	(7,648)	-	-	-	-	(7,648)
<i>Net Book Value at</i>						
30 June 2008	452,831	8,887	4,530	11,487	109,535	587,270
- Property, plant and equipment of the Group, excluding assets held for sale	422,114	8,887	4,530	11,487	108,611	555,629
- Property, plant and equipment held for sale	30,717	-	-	-	924	31,641

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Note 6: Property, Plant and Equipment (continued)

	Oil and gas properties	Refinery and related equipment	Buildings	Other Assets	Assets under construction	Total
<i>Cost at</i>						
1 January 2009	331,038	5,550	3,689	12,131	106,627	459,035
- Property, plant and equipment of the Group, excluding assets held for sale	229,044	-	2,446	8,843	103,145	343,478
- Property, plant and equipment held for sale	101,994	5,550	1,243	3,288	3,482	115,557
Translation difference	(20,698)	(340)	(225)	(763)	(6,096)	(28,122)
Additions	-	-	-	-	10,349	10,349
Capitalised borrowing costs	-	-	-	-	4,705	4,705
Transfers	7,504	3	-	4	(7,511)	-
Impairment	(122,127)	-	-	-	-	(122,127)
Disposals	-	-	-	(386)	(202)	(588)
Disposals of assets held for sale	(6,079)	-	-	-	(51)	(6,130)
30 June 2009	189,638	5,213	3,464	10,986	107,821	317,122
- Property, plant and equipment of the Group, excluding assets held for sale	-	-	-	4,562	1,687	6,249
- Property, plant and equipment held for sale	189,638	5,213	3,464	6,424	106,134	310,873
<i>Accumulated Depreciation, Amortization and Depletion at</i>						
1 January 2009	(44,218)	(1,920)	(1,008)	(4,211)	-	(51,357)
- Property, plant and equipment of the Group, excluding assets held for sale	(3,361)	-	(424)	(2,725)	-	(6,510)
- Property, plant and equipment held for sale	(40,857)	(1,920)	(584)	(1,486)	-	(44,847)
Translation difference	3,343	118	61	252	-	3,774
Depreciation, depletion and amortization	-	-	-	(229)	-	(229)
Disposals	-	-	-	131	-	131
Disposals of assets held for sale (KOMI)	4,267	-	-	-	-	4,267
30 June 2009	(36,608)	(1,802)	(947)	(4,057)	-	(43,414)
- Property, plant and equipment of the Group, excluding assets held for sale	-	-	-	(1,755)	-	(1,755)
- Property, plant and equipment held for sale	(36,608)	(1,802)	(947)	(2,302)	-	(41,659)
<i>Net Book Value at</i>						
1 January 2009	286,820	3,630	2,681	7,920	106,627	407,678
- Property, plant and equipment of the Group, excluding assets held for sale	225,683	-	2,022	6,118	103,145	336,968
- Property, plant and equipment held for sale	61,137	3,630	659	1,802	3,482	70,710
30 June 2009	153,030	3,411	2,517	6,929	107,821	273,708
- Property, plant and equipment of the Group, excluding assets held for sale	-	-	-	2,807	1,687	4,494
- Property, plant and equipment held for sale	153,030	3,411	2,517	4,122	106,134	269,214

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Note 7: Investment in joint venture

Acquisition of equity interest of 35.3% in Taas. As of 30 June 2009, management has reviewed the change in Taas equity value and revalued the financial instruments as required by IFRS.

As at 30 June 2009, management assessed an investment in Taas for impairment using the information regarding the transaction which was available at that date as an indicator of the fair value of the asset. As a result of this analysis, an impairment charge of \$237.6 million was recognized in the interim condensed consolidated statement of comprehensive income in the six months ended 30 June 2009.

This change resulted in an increase of the put option value classified as a financial instrument from \$161.3 million to \$201.9 million as of 31 December 2008 and 30 June 2009, respectively.

Note 8: Non-current assets held for sale

The assets and liabilities of Chepetskoye were presented as held for sale as of 31 December 2008.

In February 2009, Chepetskoye was sold to a domestic off-taker, Galaform, for the full discharge of the domestic prepayment granted to the Group in the end of 2006 (Note 11). As part of the transaction, the Group assigned to the buyer intercompany loans amounting to \$10.8 million. Sale consideration was equal to \$5.2 million and included in the sales agreement was a call option for the Group to repurchase Chepetskoye for \$5.2 million. This call option expires in January 2010. The Group has assigned nil value to the call option. Additional loss from disposal in the amount of \$1.1 million was recognized in the interim condensed consolidated statement of comprehensive income in the six months ended 30 June 2009.

During the first half 2009, the Group carried on negotiations with Sberbank about transfer of its share in Dulisma to Sberbank as part of the loan assignment agreement (Note 11). In July 2009, the Group transferred Dulisma to Sberbank. As at 30 June 2009, management assessed Dulisma for impairment using the information regarding the transaction which was available at that date as an indicator of the fair value of the asset. As a result of this analysis, an impairment charge of \$122.1 million was recognized in the interim condensed consolidated statement of comprehensive income in the six months ended 30 June 2009.

The assets and liabilities of Dulisma, as well as Petrosakh and Arcticneft have been presented as held for sale as of 30 June 2009.

Below is a breakdown of assets and liabilities of non-current assets classified as held for sale.

	30 June 2009	31 December 2008
Cash and cash equivalents	498	360
Accounts receivable and prepayments	10,769	5,545
Current income tax prepayments	20	551
Inventories	24,700	18,426
Property, plant and equipment	269,214	70,710
Supplies and materials for capital construction	15,064	2,487
Other non-current assets	5,337	1,084
Total non-current assets held for sale	325,602	99,163
Accounts payable and accrued expenses	40,612	2,881
Income tax payable	101	-
Other taxes payable	3,062	1,518
Advances from customers	357	150
Short-term borrowings	130,000	-
Long -term finance lease obligations	685	846
Dismantlement provision	1,060	1,423
Deferred tax liability	10,706	3,430
Total liabilities directly associated with non-current assets classified as held for sale	186,584	10,248

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Note 9: Other Non-Current Assets

	30 June 2009	31 December 2008
Loan receivable from related party (Note 16)	32,738	31,066
Advances to contractors and suppliers for construction in process	37	8,195
Intangible assets	349	624
Total other non-current assets	33,124	39,885

Other long-term investments represent US dollar denominated long-term loans of \$32.7 million and \$31.1 million at 30 June 2009 and 31 December 2008, respectively, issued by UEPCL to Taas, as part of the acquisition agreement. The loans were used to pay organisation fees for a \$600 million project finance loan facility provided by Sberbank for the development of the Srednebotubinskoye field, financing of interest payments and repayment of third party loans at Taas. The loans bear interest of 12% and mature in February 2015. The loans are unsecured. The fair value of the loans approximated the carrying value at 30 June 2009 and 31 December 2008. These loans were considered to be fully performing as of 30 June 2009 and 31 December 2008.

Note 10: Advances from customers

	30 June 2009	31 December 2008
Petraco	45,602	49,418
Galaform	-	5,474
Other	431	886
Total advances from customers	46,033	55,778

Petraco Revolving Prepayment Agreement. In July 2007, the Group entered into a five year revolving prepayment agreement with Petraco. Under the terms of the agreement, US dollar denominated prepayments shall be made to the Group in one or more advances against specified future deliveries of agreed volumes of crude oil to be sold to Petraco. Interest accrues at LIBOR plus 5.00% on prepayments for which the related volumes have not been delivered, and LIBOR plus 1% on prepayments for which the related volumes have been delivered, in order to mirror normal commercial payment terms. During 2008 the maximum borrowing base was increased from \$50.0 million to \$60.0 million.

In December 2008 the original repayment schedule was modified to take into account decreased oil prices and Company's financial position. Under this schedule Company would have to decrease the amount outstanding to \$25.0 million by 1 July 2009 with the remaining balance payable by deliveries to be made in 2009 and 2010. Subsequent to year-end the proposed repayment schedule was not feasible, and the Company proposed an amendment to the repayment schedule allowing for a more gradual repayment of the currently outstanding \$41.5 million in and providing additional security to Petraco. At the date of these financials statements these discussion were on going. Furthermore, transactions and cash flows between Petraco and the Group continue to take place. Specifically, during October and November 2009 the Group received from Petraco additional short term advances that were used to fund the loading of three tankers, the majority of the proceeds from these three tankers are to be used to partially repay the advance from Petraco.

Galaform domestic crude oil prepayment agreement. In February 2009, the Group transferred to Galaform Chepetskoye for the full discharge of the pre-payment (Note 8).

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Note 11: Borrowings

Short-term borrowings. Short-term borrowings at 30 June 2009 and 31 December 2008 were as follows:

	30 June 2009	31 December 2008
Sberbank acquisition loan	499,635	499,635
Sberbank field development loan	130,000	130,000
Other	111	114
Total short-term borrowings	629,746	629,749
Short-term borrowings of the Group, excluding those classified as held for sale	499,746	629,749
Short-term borrowings classified as held for sale	130,000	-

As of 31 December 2008 and 30 June 2009, both loans to Sberbank were overdue. Subsequent to 30 June 2009, the Group has settled both loans (Note 18).

Weighted average interest rate. The Group's weighted average interest rates on short-term borrowings were 19.0% and 14.0% for the six months ended 30 June 2009 and 2008, respectively.

Note 12: Equity

At 30 June 2009, authorised share capital was \$1,890 thousand divided into 300 million shares of \$0.0063 each and issued share capital was \$1,131 thousand divided into 179.6 million shares of \$0.0063 each.

Date of Grant	Number of shares (thousand of shares)	Share capital	Share premium	Difference from conversion of share capital into USD
Balance at 1 January 2009	178,144	1,122	640,080	(113)
Shares issued under restricted stock plans	1,141	7	(7)	-
Early vested shares issued under restricted stock plans	291	2	(2)	-
Share-based payment under restricted stock plans	-	-	900	-
Share-based payment related to immediate vesting	-	-	923	-
Balance at 30 June 2009	179,576	1,131	641,894	(113)

Restricted Stock Plan. During the six months ended 30 June 2009 and 2008, \$1.8 million and \$4.3 million, respectively, of expense related to share-based payments were recognized in the consolidated statement of comprehensive income.

At 30 June 2009, restricted stock grants for 1,432,062 shares were fully vested and issued. Additional restricted stock grants for 72,500 shares were vested during the six months ended 30 June 2009 and issued in July 2009.

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Note 12: Equity (continued)

As of 30 June 2009, the number of unvested restricted stock grants and their respective vesting dates are presented in the table below.

Date of Grant	January 2009	January 2010	January 2011	Total
Total Restricted Stock Granted as of 31 December 2008	1,495,575	1,401,724	778,488	3,675,787
Forfeited in the six months ended 30 June 2009	-	(140,387)	(54,391)	(194,778)
Vested in the six months ended 30 June 2009	(1,141,481)	-	-	(1,141,481)
Immediately vested in the six months ended 30 June 2009	-	(266,680)	(96,401)	(363,081)
Total Restricted Stock Granted as of 30 June 2009	354,094	994,657	627,696	1,976,447

Earnings per share. For the six months period ended 30 June 2009 and 30 June 2008, basic and diluted earnings per share and the corresponding weighted average shares outstanding used in each calculation are identical as all potentially dilutive instruments are anti-dilutive for the periods presented.

Note 13: Revenues

	Six months ended 30 June:	
	2009	2008
Crude oil		
Export sales	-	64,267
Domestic sales (Russian Federation)	5,927	37,913
Petroleum (refined) products – domestic sales	8,425	7,639
Trading commission	110	190
Other sales	678	740
Total gross revenues	15,140	110,749

The significant decrease in revenues from sales during the six months period ended 30 June 2009 was due to disposal of the Group's subsidiaries located in Komi region (Dinyu, Michayunef, Nizhneomrinskaya Neft and CNPSEI) in April 2008 and ZAO "Chepetskoye NGDU" in February 2009. Also, due to weather conditions at both Petrosakh and Arcticneft, the first tankers with crude oil for export were delivered in July and October 2009, respectively.

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Note 14: Cost of Sales

	Six months ended 30 June:	
	2009	2008
Wages and salaries including payroll taxes	6,992	12,737
Unified production tax	3,385	25,298
Materials	1,680	3,226
Other taxes	1,063	1,632
Depreciation and depletion	355	11,144
Oil treating, storage, transportation and other services	198	3,756
Rent, utilities and repair services	181	586
Energy services	25	734
Cost of purchased crude oil	-	28,650
Release of provision on obsolete inventory	(642)	-
Other	753	2,184
Change in finished goods	(4,491)	(19,746)
Total cost of sales	9,499	70,201

The significant decrease in cost of sales during the six months period ended 30 June 2009 was due to the disposal of the Group's subsidiary, ZAO Chepetskoye NGDU, the disposal of the producing assets located in Komi region in 2008 and the lack of export sales during the period (Note 13).

Note 15: Selling, General and Administrative Expenses

	Six months ended 30 June:	
	2009	2008
Wages and salaries	4,692	7,707
Share-based payments	1,823	4,297
Audit and professional consultancy fees	1,012	3,229
Transport, loading and storage services	743	2,673
Office rent and other expenses	714	1,243
Trip expenses and communication services	327	849
Other	1,075	3,507
Total selling, general and administrative expenses	10,386	23,505

The significant decrease in selling, general and administrative expenses during six months period ended 30 June 2009 was a result of the disposal of the Group's subsidiaries located in Komi region in April 2008 and ZAO Chepetskoye NGDU in February 2009. Also, in 2009, the Group substantially decreased personnel in the management Company, Urals Energy LLC. Therefore, within wages and salaries during the first six months of 2009 were included severances to personnel in the amount of \$1,047 thousand.

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Note 16: Balances and Transactions with Related Parties

For the purposes of this interim condensed consolidated financial information, parties are considered to be related if one party has the ability to control the other party, is under common control, or can exercise significant influence over the other party in making financial or operational decisions as defined by IAS 24, *Related Party Disclosures*, which also treats key management personnel as related parties. In considering each possible related party relationship, attention is directed to the substance of the relationship, not merely the legal form.

Balances and transactions with related parties.

	Six months ended 30 June:	
	2009	2008
Interest income from Taas, net	1,672	1,294
Interest income from other related parties, net	341	348
Other expenses	(6)	(35)
	30 June 2009	31 December 2008
Accounts and notes receivable	65	73
Loans receivable	5,222	5,250
Interest receivable	941	875
Impairment provision on receivable from related parties	(1,243)	(1,243)
Receivables from related parties	4,985	4,955
Loans issued to Taas	28,099	28,099
Interest receivable from Taas	4,639	2,967
Advances from and payable to related parties	(13)	(13)
Loans payable	(61)	(61)

Compensation to senior management. The Group's senior management team compensation totalled \$4,506 thousand and \$7,833 thousand for the six months periods ended 30 June 2009 and 30 June 2008, respectively, including salary and bonuses of \$2,683 thousand and \$3,536 thousand respectively, and stock compensation of \$1,823 thousand and \$4,297 thousand, respectively, and no other compensation was paid for both periods. There were no bonuses announced or paid to senior management in 2009.

Within loans receivable the largest part relates to a short-term loan provided to one of the senior managers of the company in the amount of \$4.2 million, including accrued interest. The loan bears 15% interest and matures on 30 September 2008. The loan is secured with real estate properties located in Moscow. The loan receivable was past-due and impaired at 31 December 2008 by \$1.2 million as a result of valuation of the pledge which decreased following lack of liquidity in the real estate market in Moscow. As a partial payback scheme, the Company has taken over all payments to the manager and has reached an understanding for further consideration.

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Note 17: Contingencies, Commitments and Operating Risks

Operating environment. The Russian Federation continues to display some characteristics of an emerging market economy. These characteristics include, but are not limited to, the existence of a currency that is not yet fully convertible in most countries outside of the Russian Federation, and relatively high inflation. The tax and customs legislation within the Russian Federation is subject to varying interpretations and changes that can occur frequently.

The future economic direction of the Russian Federation is largely dependent upon the effectiveness of economic, financial and monetary measures undertaken by the Government, together with tax, legal, regulatory, and political developments.

Oilfield licenses. The Group is subject to periodic reviews of its activities by governmental authorities with respect to the requirements of its oil field licenses. Management of the Group correspond with governmental authorities to agree on remedial actions, if necessary, to resolve any findings resulting from these reviews. Failure to comply with the terms of a license could result in fines, penalties or license limitations, suspension or revocations. Management believes any issues of non-compliance will be resolved through negotiations or corrective actions without any materially adverse effect on the financial position or the operating results of the Group.

Management believes that proved reserves should include quantities, which are expected to be produced after the expiry dates of the Group's production licenses. These licenses expire between 2008 and 2067, with the most significant licenses expiring between 2012 and 2067.

The principal licenses of the Group and their expiry dates are:

Field	License holder	License expiry date
Okruzhnoye	Petrosakh	2012
Peschanozerskoye	Arcticneft	2067
Dulisminskoye	Dulisma	2019
Srednebotuobinskoye	Taas-Yuryakh Neftegazdobycha	2016
Kurungsky	Taas-Yuryakh Neftegazdobycha	2032

Management believes the licenses may be extended at the initiative of the Company and management intends to extend such licenses for properties expected to produce subsequent to their license expiry dates.

Subsequent to 30 June 2009, the Group forfeited the licences for Dulisminskoye field and Srednebotuobinskoye and Kurungsky fields due to its shares in Dulisma and Taas being transferred to Sberbank (Note 18).

Taxation. Russian tax, currency and customs legislation is subject to varying interpretations, and changes, which can occur frequently. Management's interpretation of such legislation as applied to the transactions and activity of the Group may be challenged by the relevant regional and federal authorities. Recent events within the Russian Federation suggest that the tax authorities may be taking a more assertive position in their interpretation of the legislation and assessments, and it is possible that transactions and activities that have not been challenged in the past may be challenged. As a result, significant additional taxes, penalties and interest may be assessed. Fiscal periods remain open to review by the authorities in respect of taxes for three calendar years preceding the year of review. Under certain circumstances reviews may cover longer periods.

Management believes that its interpretation of the relevant legislation is appropriate and the Group's tax, currency and customs positions will be sustained. Where management believes it is probable that a position cannot be sustained, an appropriate amount has been accrued for in this interim condensed consolidated financial information.

Insurance policies. The Group insured all of its major assets, including oil in stock, plant and equipment, transport and machinery with a total limit of \$1.9 million. Also, a liability insurance policy covering property, plant and equipment, hazardous objects, including environmental liability, was put in place with a total limit of \$1.7 million and directors and officers liability with total limit up to \$100.0 million. Staff and personal insurance includes casualty, medical and travel insurance for losses of up to \$2.4 million. The associated expenses are included within selling, general and administrative expenses in the consolidated income statement.

Note 17: Contingencies, Commitments and Operating Risks (continued)

Restoration, rehabilitation and environmental costs. The Group companies have operated in the upstream and refining oil industry in the Russian Federation for many years and its activities have had an impact on the environment. The enforcement of environmental regulations in the Russian Federation is evolving and the enforcement posture of government authorities is continually being reconsidered. The Group periodically evaluates its obligation related thereto. The outcome of environmental liabilities under proposed or future legislation, or as a result of stricter enforcement of existing legislation, cannot reasonably be estimated at present, but could be material. Under the current levels of enforcement of existing legislation, management believes there are no significant liabilities in addition to amounts which are already accrued and which would have a material adverse effect on the financial position of the Group.

Legal proceedings. The Group is involved in a number of court proceedings (both as a plaintiff and a defendant) arising in the ordinary course of business. In the opinion of management, there are no current legal proceedings or other claims outstanding, which could have a material effect on the result of operations or financial position of the Group and which have not been accrued or disclosed in this interim condensed consolidated financial information.

Impact of the ongoing global financial and economic crisis. The ongoing global financial and economic crisis that emerged out of the severe reduction in global liquidity which commenced in the middle of 2007 (often referred to as the “Credit Crunch”) has resulted in, among other things, a lower level of capital market funding, lower liquidity levels across the banking sector and wider economy, and, at times, higher interbank lending rates and very high volatility in stock and currency markets. The uncertainties in the global financial markets have also led to failures of banks and other corporations, and to bank rescues in the United States of America, Western Europe, Russia and elsewhere. The full extent of the impact of the ongoing financial crisis is proving to be difficult to anticipate or completely guard against.

The availability of external funding in financial markets has significantly reduced since August 2007. Such circumstances may affect the ability of the Group to obtain new borrowings and re-finance its existing borrowings at terms and conditions similar to those applied to earlier transactions.

Management is unable to reliably determine the effects on the Group's future financial position of any further deterioration in the liquidity of the financial markets and the increased volatility in the currency and equity markets. Management believes it is taking all the necessary measures to support the sustainability and development of the Group's business in the current circumstances.

Other capital commitments. At 30 June 2009, the Company had no significant contractual commitments for capital expenditures.

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Selected Notes to the Interim Condensed Consolidated Financial Information (unaudited)

(in US dollars, tabular amounts in US\$ thousands, except as indicated)

Note 18: Subsequent events

Repayment of Sberbank loans. Subsequent to 30 June 2009 the Company sold its 100% interest in Dulisma (August 2009) and 35.3% interest in Taas (November 2009) for the full discharge of the Company's debt to Sberbank Capital plus assumption of all trade accounts payable accrued by Dulisma and Taas at the date of the transaction. Additionally, subsequent to the two sales the Company was released from any obligations under Taas Shareholders' agreement and terminated the Put Option agreement with Ashmore for nil consideration. Registration and actual release of the pledges associated with termination of Put option agreement were ongoing at the date of these financial statements. This matter is discussed in greater detail in Note 4.

Suspension of Company's shares trading. On 30 June 2009 the Company's shares were suspended from trading on LSE AIM due to non-compliance with Rule 19 of the AIM rules for not publishing 2008 year-end accounts. Management considered in June 2009 that due to uncertainties over the direction of negotiations with Sberbank Capital it was not in a position to complete its 2008 annual financial statements. Also in August 2009 Morgan Stanley retired from Nominated Adviser ("NOMAD") and Company's Broker positions. As a result of the above the Company's shares were suspended from trading.

In October 2009 the Company appointed a new NOMAD, Allenby Capital. Following the appointment of the NOMAD and following the completion of the transactions with Sberbank Capital and others, and release of this interim 2009 accounts and report management believes that the Company is now compliant with AIM rules. As a result of this management expects there will be a resumption of trading of the Company's shares on LSE AIM.

Changes to management. In October 2009, Vyacheslav Ivanov resigned from the positions of CEO and Chairman of the Board of Directors and Mr. Leonid Dyachenko was appointed as a Chairman of the Board of Directors and as interim Chief Executive Officer. In November 2009, Mr. Alexei Maximov was appointed as a Chief Executive Officer of the Company and as a director in the Board of Directors.